

Macedonia: Energy Community requests MK to rectify failure to liberalize electricity market in line with binding deadline

Energy Community Secretariat submitted a Reasoned Opinion as the next step in the dispute settlement case against the former Yugoslav Republic of Macedonia for its postponement of electricity market opening.

The Director of the Energy Community Secretariat said: *“Macedonia’s decision to postpone full opening of the electricity market and thereby prohibiting consumers to choose their supplier is another manifestation of the current government’s deliberate policy of systematically refusing to accept the country’s obligations under the Energy Community Treaty and, consequently, EU law.*

This trend has recently become more and more visible and manifests itself in several open breaches of Energy Community law, including among others also the non-acceptance of a binding target for renewable energy and the failure to respect Second and Third Energy Package rules in the gas sector when cooperating with Russian partners. The current problems in the energy sector mirror other problems of the country – the growing politicization of state institutions and the dramatically deteriorated political situation. What we witness is a growing isolation of the country from the international community”.

In the Reasoned Opinion, the Secretariat reiterates its view that the amendments to the country’s Energy Law adopted in October 2014 deprive small businesses and all household customers of their right to purchase electricity directly from the supplier of their choice by obliging them to continue purchasing electricity from the incumbent monopoly supplier after the 1 January 2015 market liberalization deadline set in Energy Community law. The postponement of full market liberalization until 2020 represents a severe breach of the Treaty establishing the Energy Community. Open electricity markets are of principal importance for the achievement of the objectives of the internal energy market. The country is now requested to rectify the identified issues of non-compliance within a time limit of two months.

The Government justifies the postponement of the opening of the market by a risk of “possible drastic increase of the prices of electricity for the households.” In reality, the argument related to potential “price shocks” seems to address rather the intended protection of the incumbent’s liquidity than the protection of household customers from “price shocks”. This measure is essentially protectionist in nature as it has the effect of shielding the incumbent supplier from any actual or potential competition by prolonging its legal supply monopoly for a significant period of time. Protecting customers from dramatic price increases and ensuring security of supply is a legitimate aim that could be achieved through measures which are significantly less market distorting and in compliance with Energy Community law, i.e. the possibility to impose public service obligations – including



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regulation of retail prices for non-household and household customers - on suppliers.
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